

MORNING MOCHA

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ECONOMIST
 Dipanwita Mazumdar

Flash PMI readings for Jan'23 of major economies remained in contraction territory. In the US, the composite reading was at 46.6, for UK at 47.8 and for Australia at 48.2. Only respite came from the Eurozone where the reading improved to 50.2, led by services sector. Another concern emanated from faster increase in input prices, as pointed in both US and Eurozone survey results. Labour market conditions also remained tighter. Inflation print in Australia rose to its highest since CY90 at 7.8% for Q4CY22. Even in New Zealand CPI rose more than expected by 7.2% in Q4CY22 (est.: 7.1%). ECB Governing Council member also remained hawkish and hinted that controlling inflation is the main priority.

- Barring S&P, FTSE (lower), and Nifty (flat), other global indices ended higher. Dow Jones gained by 0.3% led by surge in technology stocks as investors bet on revival in demand following China's re-opening, and 'soft-landing' in the US. FTSE ended in red as UK flash composite PMI fell sharply. Sensex was up by 0.1%, led by gains in auto, consumer durables and tech stocks. However, it is trading lower today, while other Asian indices are trading mixed.

Fig 1 – Stock markets

	23-01-2023	24-01-2023	% change
Dow Jones	33,630	33,734	0.3
S & P 500	4,020	4,017	(0.1)
FTSE	7,785	7,757	(0.4)
Nikkei	26,906	27,299	1.5
Hang Seng	21,651	22,045	1.8
Shanghai Comp	3,240	3,265	0.8
Sensex	60,942	60,979	0.1
Nifty	18,119	18,118	0

Source: Bloomberg, Bank of Baroda Research | Note: Hang Seng and Shanghai Comp were closed for Lunar New Year

- Except EUR and JPY (higher), other global currencies ended lower. While JPY (+0.4%) gained the most, INR and GBP (-0.4% each) fell. DXY was down by 0.2%. Investors await US GDP data (due tomorrow) to predict Fed's rate decision next week. Weakness in economic activity in the UK and fears of recession dragged GBP down. INR too fell, even as oil prices dipped. However, it is trading higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	23-01-2023	24-01-2023	% change
EUR/USD (1 EUR / USD)	1.0872	1.0887	0.1
GBP/USD (1 GBP / USD)	1.2379	1.2334	(0.4)
USD/JPY (JPY / 1 USD)	130.67	130.17	0.4
USD/INR (INR / 1 USD)	81.39	81.72	(0.4)
USD/CNY (CNY / 1 USD)	6.7755	6.7845	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China was closed for Lunar New Year



- Global 10Y yields broadly closed mixed. Disappointing flash PMI reading led to higher demand for sovereign securities. UK's 10Y yield fell the most by 8bps despite sharp rise in public sector net borrowing. In Japan, 10Y yield rose by 3bps, albeit remaining below the 0.5% band. India's 10Y yield closed flat at 7.35%. It is trading a tad lower at 7.34% today.

Fig 3 – Bond 10Y yield

	23-01-2023	24-01-2023	change in bps
US	3.51	3.45	(6)
UK	3.36	3.28	(8)
Germany	2.21	2.16	(5)
Japan	0.39	0.42	3
China	2.91	2.93	1
India	7.35	7.35	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China was closed for Lunar New Year

Fig 4 – Short term rates

	23-01-2023	24-01-2023	change in bps
Tbill-91 days	6.42	6.43	1
Tbill-182 days	6.80	6.81	1
Tbill-364 days	6.88	6.89	1
G-Sec 2Y	6.84	6.89	5
SONIA int rate benchmark	3.43	3.43	-
US SOFR	4.30	4.30	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	23-01-2023	24-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	0	0
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-01-2023	23-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(159.5)	31.4	190.9
Debt	42.5	3.8	(38.7)
Equity	(202.0)	27.6	229.6
Mutual funds (Rs cr)	840.5	855.5	15.0
Debt	640.0	326.5	(313.5)
Equity	200.5	529.0	328.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data is of 4 Jan 2023 and 5 Jan 2023

- Global oil prices fell by 2.3% due to build up in US inventory.

Fig 7 – Commodities

	23-01-2023	24-01-2023	% change
Brent crude (US\$/bbl)	88.2	86.1	(2.3)
Gold (US\$/ Troy Ounce)	1,931.0	1,937.4	0.3
Copper (US\$/ MT)	9,330.8	9,291.0	(0.4)
Zinc (US\$/MT)	3,439.8	3,447.3	0.2
Aluminium (US\$/MT)	2,636.5	2,650.5	0.5

Source: Bloomberg, Bank of Baroda Research



